

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 CIAE-00 PM-05 H-01 INR-10
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FM AMEMBASSY MANILA
TO SECSTATE WASHDC 6714

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USADB

FOR NAC AGENCIES

PASS TREASURYDEP FOR SHERK

EO 11652:N/A
TAGS: EAID, EFIN, ADB
SUBJECT: RESOLUTION ON THE SECOND REPLENISHMENT OF THE
ASIAN DEVELOPMENT FUND (ADF)

SUMMARY: THE BOARD OF DIRECTORS IS SCHEDULED TO CONSIDER
A DRAFT REPORT ON THE REPLENISHMENT OF THE ADF AND A
DRAFT RESOLUTION THERETO REQUESTING AUTHORIZATION BY THE
BOARD OF GOVERNORS TO REPLENISH THE ADF BY 2 BILLION
DOLLARS AND TO AUTHORIZE THE BANK TO ACCEPT FURTHER
CONTRIBUTIONS UP TO A TOTAL OF 150 MILLION DOLLARS. THE
BOARD IS SCHEDULED TO REVIEW ADB DOC R47-78 JUNE 22. THE
BANK MANAGEMENT'S PAPER IS IN KEEPING WITH THE U.S.
AGREEMENT REGARDING REPLENISHMENT OF THE ADF, THEREFORE,
USADB RECOMMENDS FAVORABLE NAC ACTION. END SUMMARY.

1. THE FIRST MOBILIZATION OF RESOURCES FOR THE ASIAN
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DEVELOPMENT FUND COVERING THE BANK'S CONCESSIONAL LENDING
PROGRAM FOR THE THREE-YEAR PERIOD ENDING 31 DECEMBER 1975
WAS AUTHORIZED IN NOVEMBER 1973. THE TARGET AMOUNT FOR
THIS MOBILIZATION (ADB I), AT THEN PREVAILING RATES OF
EXCHANGE, WAS 525 MILLION DOLLARS. OF THIS 486.1 MILLION
DOLLARS WAS REALIZED IN CONTRIBUTIONS FROM FOURTEEN
DEVELOPED MEMBERS.

2. IN DECEMBER 1975 A FIRST REPLENISHMENT OF THE FUND (ADF II) WAS AUTHORIZED BY BOARD OF GOVERNORS' RESOLUTION NO. 92, TO COVER THE BANK'S CONCESSIONAL LENDING PROGRAM FOR THE THREE YEARS ENDING 31 DECEMBER 1978. BY THE END OF 1977, INSTRUMENTS OF CONTRIBUTION TO ADF II HAD BEEN DEPOSITED BY FOURTEEN DONOR COUNTRIES, IN A TOTAL AMOUNT OF 581 MILLION DOLLARS, OF WHICH THE FIRST TWO INSTALMENTS, TOTALLING ABOUT 389 MILLION DOLLARS, HAD BEEN RELEASED TO THE BANK. RECEIPTS OF THE FIRST INSTALMENT FROM THE UNITED STATES OF 49.5 MILLION DOLLARS WILL TRIGGER THE RELEASE OF THE THIRD INSTALMENTS OF THE OTHER DONORS; AND IF, AS ANTICIPATED, A SECOND U.S. INSTALMENT IS ALSO PAID TO THE BANK LATER IN 1978, THE BANK WILL BE ASSURED OF COMPLETING ITS 1978 CONCESSIONAL LENDING PROGRAM.

3. THE BANK COMPLETED A SERIES OF STUDIES TO DETERMINE THE BANK'S RESOURCE REQUIREMENTS FOR CONCESSIONAL LENDING IN THE YEARS BEYOND 1978. FROM THESE STUDIES BANK MANAGEMENT FELT THAT IF THE BANK WAS TO PROVIDE MEANINGFUL ASSISTANCE TO ITS POORER AND LESS DEVELOPED MEMBER COUNTRIES, A SUBSTANTIALLY LARGER CONCESSIONAL LENDING PROGRAM WOULD BE REQUIRED IN THE NEXT FEW YEARS THAN IN THE PAST. A CONCESSIONAL LENDING PROGRAM OF THE ORDER OF 2.15 BILLION DOLLARS OVER THE FOUR YEARS FROM 1979 TO LIMITED OFFICIAL USE

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1982 WAS RECOMMENDED AS APPROPRIATE. UNDER THIS PROGRAM, ANNUAL LOAN COMMITMENTS WOULD RISE FROM THE PROJECTED 1978 LEVEL OF 350 MILLION DOLLARS TO 415 MILLION DOLLARS IN 1979, TO 490 MILLION DOLLARS IN 1980, TO 575 MILLION DOLLARS IN 1981 AND, FINALLY, TO 670 MILLION DOLLARS IN 1982.

4. IN ORDER TO FACILITATE A CONCESSIONAL LENDING PROGRAM OF THE ORDER OF 2.15 BILLION DOLLARS, SIX DONOR COUNTRIES INDICATED A FIRM INTENTION AT VIENNA TO MAKE SUPPLEMENTARY CONTRIBUTIONS TOWARDS A TOTAL OF 150 MILLION DOLLARS, ON THE UNDERSTANDING THAT THIS WOULD NOT BE DEEMED AS MODIFYING IN ANY WAY THE RELATIVE BURDEN-SHARING ARRANGEMENTS FOR FUTURE REPLENISHMENTS. OF THESE COUNTRIES, SWITZERLAND HAS SINCE INFORMED THE BANK IT WILL INCREASE ITS SUPPLEMENTARY CONTRIBUTION, FROM 1.5 MILLION DOLLARS (AS INDICATED IN VIENNA) TO 5.0 MILLION DOLLARS. UNDER THE ARRANGEMENTS AGREED BY AUSTRALIA AND GERMANY IN VIENNA, THIS AUTOMATICALLY RESULTS IN AN INCREASE IN THE SUPPLEMENTARY CONTRIBUTIONS OF THESE TWO COUNTRIES. AS OF NOW, THE TOTAL OF SUPPLEMENTARY CONTRIBUTIONS PROMISED AMOUNTS TO 73.3 MILLION DOLLARS. IN ADDITION, THREE OR

FOUR MORE COUNTRIES HAVE TAKEN A POSITIVE ATTITUDE TO SUPPLEMENTARY CONTRIBUTIONS, AND THE BANK IS HOPEFUL THAT THE UNCOVERED MARGIN OF ITS PROPOSED CONCESSIONAL LENDING PROGRAM MAY BE YET FURTHER REDUCED.

5. DETAILED ARRANGEMENTS FOR IMPLEMENTATION OF THE REPLENISHMENT SCHEME WORKED OUT AT VIENNA ARE SET FORTH IN THE DRAFT RESOLUTION ATTACHED TO DOC R47-78. IF ADOPTED, THE DRAFT RESOLUTION WOULD AUTHORIZE A BASIC

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REPLENISHMENT OF 2.0 BILLION DOLLARS, INCLUDING THE UNALLOCATED AMOUNT REFERRED TO EARLIER. THE RESOLUTION WOULD NOT IN ITSELF OBLIGE ANY MEMBER TO MAKE A CONTRIBUTION, OR INDEED TO PARTICIPATE IN THE REPLENISHMENT. SUCH AN OBLIGATION WILL ONLY ARISE IF AND WHEN THE MEMBER DEPOSITS WITH THE BANK AN APPROPRIATE INSTRUMENT WHEREBY THE MEMBER UNDERTAKES TO CONTRIBUTE TOWARDS THE BASIC REPLENISHMENT AN AMOUNT IN ITS NATIONAL CURRENCY NOT LESS THAN THAT SPECIFIED IN TABLE I ATTACHED TO THE RESOLUTION. THE BANK CAN ACCEPT AN INSTRUMENT COMMITTING AN AMOUNT LARGER, BUT NOT SMALLER, THAN THAT SO SPECIFIED.

6. IN ADDITION TO THE BASIC CONTRIBUTIONS, THE RESOLUTION WOULD ALSO UUTHORIZE THE BANK TO RECEIVE SUPPLEMENTARY CONTRIBUTIONS UP TO A TOTAL OF 150 MILLION DOLLARS EQUIVALENT. HOWEVER, THE BANK, WITH THE APPROVAL OF THE BOARD OF DIRECTORS, MAY ACCEPT SUCH CONTRIBUTIONS IN EXCESS OF THIS TOTAL. THE FIRM COMMITMENTS MADE BY DONOR COUNTRIES IN RESPECT OF SUPPLEMENTARY CONTRIBUTIONS, AS

OF THE DATE OF THIS REPORT, ARE SET FORTH IN TABLE II
ATTACHED TO THE RESOLUTION. THE RESOLUTION INVITES ALL
MEMBERS WHICH ARE ABLE TO DO SO TO MAKE SUPPLEMENTARY
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CONTRIBUTIONS, WHILE MAKING IT CLEAR THAT SUCH ACTION
WOULD IN NO WAY IMPLY A MODIFICATION OF THE RELATIVE
PERCENTAGE SHARES SPECIFIED IN TABLE I ATTACHED TO THE
RESOLUTION.

7. UPON EFFECTIVENESS OF ADF III, THE RELEASE OF FUNDS
FOR OPERATIONAL PURPOSES WILL OCCUR PROGRESSIVELY IN A
MANNER WHICH SHOULD MEET THE OPERATIONAL REQUIREMENTS OF
THE BANK FROM YEAR TO YEAR WHILE PRESERVING THE PRINCIPLE
OF RECIPROCITY BETWEEN DONORS MAKING UNQUALIFIED AND
QUALIFIED COMMITMENTS. IN ADDITION, THE BANK WOULD BE
ABLE TO MAKE LOAN COMMITMENTS AGAINST QUALIFIED
CONTRIBUTION COMMITMENTS ARE, OR HAVE BECOME, UNQUALIFIED.
IN PRINCIPLE, THIS SHOULD OCCUR IN FOUR EQUAL ANNUAL
INSTALMENTS OVER THE PERIOD OF THE REPLENISHMENT.

8. FOLLOWING DISCUSSION OF THE MANAGEMENT'S
RECOMMENDATION AND DRAFT RESOLUTION, USADB WILL CABLE
TREASURY AND OTHERS ON THE BASIS OF THE CURRENT DRAFT
AND RESOLUTION. USADB RECOMMENDS FAVORABLE NAC ACTION.
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